



House passes Ron Paul's audit-the-Fed bill

Retiring Fed critic savors triumph, but bill faces long odds in Senate

By [Robert Schroeder](#) and [Greg Robb](#), MarketWatch

WASHINGTON (MarketWatch) — A bill authored by Rep. Ron Paul that would open up previously secret Federal Reserve deliberations to scrutiny by members of Congress passed the House of Representatives on Wednesday, but the measure faces long odds in the Senate.

The bill from Texas Republican Paul, a persistent Fed critic, would remove all restrictions on the Government Accountability Office's ability to examine the central bank's deliberations. Fed Chairman Ben Bernanke opposes the bill, and argued last week that the Fed's discussions about monetary policy should be protected.

The House vote was a moment of triumph for Paul, who announced earlier this year that he won't seek another term. He has long sought to shed light on the Fed's operations, and the full House vote put his once-obscure quest in the national spotlight. [Read about bill on Paul's web site.](#)

"The Fed needs transparency and [my bill] would provide it," Paul said earlier this month.

The measure passed overwhelmingly, garnering 327 yes votes, and 98 no votes. It had 274 co-sponsors, including 45 Democrats.

"The Fed should not be permitted to operate in the dark without oversight by Congress and accountability to the people. The American people deserve no less than a full and complete audit," said Rep. Dennis Kucinich, an Ohio

Democrat, in a statement on Tuesday, when the main debate on the bill was held.

But most Democrats disagree. Rep. Barney Frank, the Massachusetts Democrat who co-authored the bank reform bill, said the legislation could potentially destabilize markets.

“[Wall Street] will see it as political interference, not with the contracting procedures, not with the budget, not with how many cars they have, but with how they decide on interest rates. And the perception that the Congress is going to politicize the way in which interest rates are set will in itself have a destabilizing effect,” Frank said.

The bill now faces long odds in the Democrat-controlled Senate. Mark Calabria, director of financial regulation studies at the libertarian Cato Institute, said that a few Republican senators are trying to find a way to get a floor vote for the measure. But he added he thinks Democrats don't have any desire to bring it up for a vote.

The Fed argues that members of Congress who oppose an interest-rate move by the central bank could launch an audit and put its officials under political pressure.

“It's a mistake to eliminate the exemption for monetary policy and deliberations which would effectively, at least to some extent, create a political influence or a political dampening effect on the Federal Reserve's policy decisions,” Bernanke told a House Financial Services Committee hearing last week.

The Fed now releases a summary of its meetings after three weeks, but does not release a full transcript for five years.

The GAO is now prohibited by law from examining the Fed's discount window and open-market operations, as well as its agreements with foreign governments and interest-rate decisions.

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